

**CITY OF HOPKINTON, IOWA
AND
HOPKINTON MUNICIPAL UTILITIES
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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Officials

Name	Title	Term Expires
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City of Hopkinton (Before January, 2016)

Officials

Cathy Harris	Mayor	December, 2015
D. J. Hucker	Council Member	December, 2015
Lloyd Collmann	Council Member	December, 2015
Robert Porter	Council Member	December, 2015
Janet Buckner	Council Member	December, 2017
Julie Davis	Council Member	December, 2017
Amy Ries	City Clerk/Treasurer	Indefinite

(Beginning January, 2016)

Officials

Cathy Harris	Mayor	December, 2017
Janet Buckner	Council Member	December, 2017
Julie Davis	Council Member	December, 2017
D. J. Hucker (passed away 1/14/16)	Council Member	December, 2020
Katie Book (appointed to fill vacancy)	Council Member	December, 2017
Lloyd Collmann	Council Member	December, 2019
Jayne Digman	Council Member	December, 2019
Amy Ries (Before 3/5/16)	City Clerk/Treasurer	Indefinite
Sarah Helle (Beginning 3/5/16)	City Clerk/Treasurer	Indefinite

Hopkinton Municipal Utilities

Officials

Robert DeShaw	Chairman	March, 2017
James Guthrie	Vice-Chairman	March, 2019
Rick Lange	Trustee	March, 2021
Douglas Melchert	Superintendent	Indefinite
Cynthia Kemp	Clerk/Secretary	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor,
Members of the City Council
and Board of Trustees
City of Hopkinton, Iowa and
Hopkinton Municipal Utilities

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Hopkinton and Hopkinton Municipal Utilities for the period July 1, 2015 through June 30, 2016. The City of Hopkinton's and Hopkinton Municipal Utilities' management, which agreed to the performance of the procedures performed, is responsible for the City's and Municipal Utilities' records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council and Board of Trustees meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Municipal Utilities' internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's and Utilities Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council and Board of Trustees.
5. We reviewed City and Municipal Utilities funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's and Municipal Utilities' fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's and Municipal Utilities' financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City and Municipal Utilities. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

To the Honorable Mayor,
Members of the City Council
and Board of Trustees
City of Hopkinton, Iowa and
Hopkinton Municipal Utilities
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We were not engaged to and did not conduct an audit of the City of Hopkinton and Hopkinton Municipal Utilities, the objective of which is the expression of opinions on the City's and Municipal Utilities' financial statements. Accordingly, we do not express opinions on the City's and Municipal Utilities' financial statements. Had we performed additional procedures, or had we performed an audit of the City of Hopkinton and Hopkinton Municipal Utilities, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hopkinton and Hopkinton Municipal Utilities and other parties to whom the City of Hopkinton and Hopkinton Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
August 3, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

(A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City and Municipal Utilities:

- Accounting system - performing all general accounting functions, including journal entries and having custody of assets.
- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Debt - recordkeeping and debt payment processing.
- Journal entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City and Municipal Utilities should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) **Bank Reconciliations** - The cash and investment balances in the City's and Municipal Utilities' general ledgers were reconciled to bank account balances throughout the year. For one of the two months tested, there was no evidence that the City's reconciliations were reviewed by an independent person. For each of the two months tested, there was no evidence the Municipal Utilities' reconciliations were reviewed by an independent person.

Recommendation - To improve financial accountability and control, monthly bank reconciliations for all bank accounts, including investments, should be performed and retained, and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review. Interest earned on all accounts, including certificates of deposit, should be recorded when earned.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (C) **Accounting Policies and Procedures Manual** - The City and Municipal Utilities do not have accounting policies and procedures manuals.

Recommendation - Accounting policies and procedures manuals should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (D) **Management Financial Information** - The City Clerk's financial reports to the City Council include a balance sheet, revenue report, expense report and budget report, but did not include beginning fund balances and transfers by fund. The Utility Clerk's financial reports to the Board of Trustees include a balance sheet and income statement, but did not include beginning or ending fund balances or transfers by fund.

Recommendation - For better financial information, the monthly reports to those charged with governance should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund and in total.

- (E) **Payroll** - The following were identified:

- (1) Although timecards were maintained, there was no indication the timecards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- (2) Payroll rates entered to the payroll software were not reviewed and approved by someone independent of the person entering the rates.

Recommendation - Timecards should be reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review, and the timecards should be retained. An independent person should periodically review and test wages and withholding rates entered in the system for proper calculations. Evidence of testing should be retained.

- (F) **Financial Condition** - As of June 30, 2016, the City had deficit balances of \$4,666 and \$116,505 in the TIF and Debt Service Funds, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (G) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (H) **Annual Urban Renewal Report (AURR)** - The City understated the amount reported as TIF debt outstanding as of June 30, 2015 on the AURR Levy Authority Summary by \$110,000. The City also understated the amount reported as year-end outstanding TIF obligations, net of TIF special revenue fund balance, on the AURR Levy Authority Summary by the same dollar amount.

Recommendation - The City should ensure amounts reported on the AURR Levy Authority Summary agree with the City's general ledger.